

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 LAB-04 SIL-01 SAM-01

PA-01 PRS-01 USIA-06 /090 W
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FM AMEMBASSY ROME

TO SECSTATE WASHDC 4762

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EEC, IT

SUBJECT: EC FINANCE MINISTERS "CONFERENCE" MEETING ON DECEMBER 15

REF: A. EC BRUSSELS 11206 B. EC BRUSSELS 10804

1. SUMMARY. ITALIAN MINISTRY OF TREASURY DIRECTOR
GENERAL PALUMBO BRIEFED ACTING TREASATT DECEMBER 16 ON
INFORMAL EC FINANCE MINISTERS HELD THE DAY BEFORE IN
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BRUSSELS. AT MEETING BRITISH ANNOUNCED INTENTION TO

APPLY TEMPORARY IMPORT RESTRICTIONS, NO DEFINITIVE ACTION WAS TAKEN ON EC JOINT BORROWING, PREPARATIONS FOR JANUARY INTERIM COMMITTEE MEETING IN JAMAICA WERE REVIEWED, AND EC ECONOMIC POLICY CONDITIONS FOR ITALY UNDER EC MEDIUM-TERM LOAN WERE AGREED UPON WITH LITTLE DISCUSSION. AT SEPARATE SESSION SNAKE MEMBERS POSTPONED SWISS ASSOCIATION FOR INDEFINITE PERIOD AS REPORTED REFTEL. END SUMMARY.

2. PLANNED BRITISH IMPORT RESTRICTIONS. PALUMBO SAID THAT BRITISH ANNOUNCED AT MEETING THAT THEY WERE PLANNING LIMITED IMPORT RESTRICTIONS WHICH, THEY ASSURED THE OTHER MEMBERS OF THE EC, WOULD NOT VIOLATE ANY INTERNATIONAL AGREEMENTS AND WOULD BE TAKEN WITH ADVANCE NOTICE GIVEN TO THE OTHER EC MEMBERS. PALUMBO SAID GIVEN LACK OF SPECIFICS THERE WAS VIRTUALLY NO DISCUSSION OF THE BRITISH ANNOUNCEMENT.

3. PREPARATIONS FOR IMF INTERIM COMMITTEE MEETING IN JAMAICA. THE MINISTERS HELD A RATHER THOROUGH DISCUSSION, ACCORDING TO PALUMBO, ON THE US/FRENCH ACCORD ON COORDINATED EXCHANGE MARKET INTERVENTION AND ON GOLD AND FOREIGN EXCHANGE RATE REGIME ISSUES. THE MINISTERS EXPECT THAT AT THE NEXT G-10 MINISTERS MEETING ON DECEMBER 19 A FINAL BLESSING WILL BE GIVEN IN GENERAL TO THE GOLD AND FOREIGN EXCHANGE AGREEMENTS AS THEY ARE CURRENTLY UNDERSTOOD. THE GENERAL FEELING IS THAT MANY DETAILS REMAIN TO BE DECIDED BUT THAT FINAL AGREEMENT ON BOTH ISSUES SHOULD BE ABLE TO BE WORKED OUT BY THE JANUARY JAMAICA MEETING. PALUMBO SAID THAT THE EC MINISTERS WERE IN FULL AGREEMENT THAT THE GOLD RESTITUTION AND SALES ACTIONS MUST BE SIMULTANEOUS. THE LARGE NUMBER AND COMPLEXITY OF REMAINING "TECHNICAL" ISSUES, PALUMBO THOUGHT, WILL GENERATE CONSIDERABLE TENSIONS AT THE G-10 MINISTERS MEETING ON THE 19TH AS WELL AS AT JAMAICA BUT THE MOMENTUM IS FINALLY SUFFICIENT TO REACH A RESOLUTION EARLY NEXT YEAR.

4. NEW FINANCIAL RESOURCES FOR LDCS. PALUMBO SAID THAT THERE WAS OMSE DISCUSSION BY MINISTERS ON NUMEROUS PROPOSALS NOW ON THE TABLE DESIGNED TO FINANCIALLY ASSIST LDCS, PARTIUCULARLY THOSE MOST SEVERELY AFFECTED BY THE LIMITED OFFICIAL USE

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CURRENT RECESSION. THE TRUST FUND IDEA IS APPEALING, BUT PALUMBO BELIEVED THAT IT WAS FAR FROM BECOMING A REALITY. REGARDING EXTENSION OF THE OIL FACILITY ON 1976, PALUMBO THOUGHT IT SHOULD BE CONTINUED (NOT SURPRISINGLY) BUT THIS ISSUE WAS ALSO FAR FROM SETTLED AND A DECISION WOULD BE REACHED ON IT SOON DUE TO TIME EXIGENCIES.

5. EC COMMON BORROWING FROM OPEC COUNTRIES. PALUMBO WAS

PARTICULARLY CAREFUL IN CHOOSING HIS WORDS DESCRIBING THE MINISTERS' DISCUSSIONS ON THIS TOPIC. HE SAID THAT "NO DECISION HAD BEEN MADE TO CONSUMMATE A LOAN" BUT THAT SUCH A DECISION WOULD BE TAKEN WITHIN "THE NEXT FEW MONTHS." IRELAND AND ITALY, HE SAID, HAVE MADE THEIR VIEWS KNOWN AND WISH TO AVAIL THEMSELVES OF "WHATEVER RESOURCES BECOME AVAILABLE FROM WHATEVER SOURCE, OPEC OR NON-OPEC." PALUMBO REFUSED TO BE MORE SPECIFIC.

6. EC ECONOMIC POLICY CONDITIONS FOR ITALY UNDER THE MEDIUM-TERM BORROWING. PALUMBO SAID WITH EVIDENT RELIEF THAT THE MINISTERS APPROVED WITH VERY LITTLE DISCUSSION THE ECONOMIC POLICY CONDITIONS FOR ITALY UNDER MEDIUM-TERM BORROWING(SEE REFTEL B FOR DETAIL OF CONDITIONS). PALUMBO FELT THAT APPROVAL BY EC COUNCIL WAS LARGELY PRO FORMA AT THIS POINT. REGARDING THE USEFULNESS OF A LONG LIST OF ECONOMIC POLICY CONDITIONS WHICH DUE TO A NUMBER OF FACTORS ARE SUBSEQUENTLY COMPLETELY VIOLATED, PALUMBO WAS AMBIVALENT. HE FELT THE CONDITIONS WERE USEFUL TO CERTAIN ITALIAN POLICY MAKERS, AND MADE THEIR JOBS A BIT EASIER, BUT YET ON THE OTHER SIDE THE FAILURE TO MEET ANY OF THE CONDITIONS MUST "IN SOME WAY" BE NEGATIVE.

7. SWISS ASSOCIATION WITH THE SNAKE. THE ASSOCIATION OF THE SWISS FRANC WITH THE EC SNAKE IS A DEAD ISSUE FOR THE PRESENT AS REPORTED REFTEL A. PFUJFROCLDBY THNUMBER OF THE PROBLEMS THAT THE SWISS ENCOUNTERED IN TRYING TO JOIN THE SNAKE SOME VERY USEFUL LESSONS FOR ITALIAN POLICY MAKERS CONTEMPLATING RE-ASSOCIATION OF THE LIRA. PALUMBO SAID HE HAS ALWAYS FELT THAT THE SNAKE IS ONLY USEFUL AS A TOOL TO FURTHER EUROPEAN MONETARY UNION AND IF IT DOES NOT PERFORM THIS TASK, ITS UTILITY IS QUESTIONABLE.VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL PROGRAMS, IMPORT CONTROLS, MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME18341
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750437-0131
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751235/aaaabewk.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 11206, 75 EC BRUSSELS 10804
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by MartinML>; APPROVED <06 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC FINANCE MINISTERS "CONFERENCE" MEETING ON DECEMBER 15
TAGS: EFIN, IT, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006